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Muslim CEO, Women on Boards and Corporate Responsibility Reporting: Some Evidence from Malaysia

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Abstract:

Purpose: Very limited research has been devoted to answering the question of whether the religious beliefs of the upper echelons of management and gender diversity have any impacts on the communication of corporate social responsibility (CSR) information in the marketplace. This study attempts to fill the void in the literature by posing the two research question: first, does the CEO religion affect a firm's CSR behaviour?; second, do the women on the boards influence CSR reporting?

Design/methodology/approach: We performed our tests on a sample of 133 firms listed in Bursa Malaysia that have analysts following using a self-constructed CSR disclosure index based on information in annual reports in 2009. Twenty three percent of our sample firms have Muslim CEOs, and women made up only 8% of board members.

Findings: We find that Muslim CEOs are significantly associated with greater disclosure of CSR information. We also find only a moderate relationship between board gender diversity and CSR disclosure. This is probably due to insufficient number of women on boards.

Limitations: The disclosure index is based on unsubstantiated CSR information provided in annual reports, and we examine only two aspects of board diversity namely Muslim religiousity and gender mix.

Originality/value: This study advances the research on upper echelons theory by illuminating the importance of religious value in influencing the CSR behaviour of corporate leaders. This has been largely overlooked due to lack of data.

Keywords**:** Corporate social responsibility; Muslim CEO; Malaysia; Upper echelon; Women directors

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1. Introduction

Corporate social responsibility (CSR) is an important topic that is widely discussed and researched in business and economics. The World Business Council for Sustainable Development defines CSR as: *"the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life"*. In a nutshell, CSR refers to corporate policies that take into account the impact of business activities on the environment, consumers, employees and communities. In some countries, corporate responsibility or sustainability reporting is now part and parcel of a firm's annual report, and the number of firms issuing stand-alone sustainability reports is increasing. Finland was the first country to adopt a mandatory sustainability reporting law in 1997. Other countries that have adopted a mandatory sustainability reporting law include Australia, Austria, Canada, Denmark, France, Germany, Greece, India, Italy, Japan, Malaysia, Mexico, The Netherlands, Norway, Portugal, South Africa, Sweden, UK and US (KPMG, 2017).

The importance of culture on accounting performance is well recognised (Haniffa and Cooke, 2002; Neu, 1992; Pratt, Mohrweis and Beaulieu, 1993). The concept of culture is broad since it refers to social, political, and other factors that influence individual's behaviour (Hamid, Craig and Clarke, 1993). Culture comprises a certain number of components that include religious beliefs, language, values, attitudes, and customs (Collinson and Rugman, 2007). Culture and religion are linked, and religion is one of the culture's elements (Collinson and Rugman, 2007). Stulz and Williamson (2003) use a country's predominant religion as a proxy for the national culture.

One element of culture is societal values, which include norms, ethics, belief systems, religion, and philosophy (Haniffa and Hudaib, 2007). Accounting is a socio-technical activity involving the interaction of both human and non-human resources; therefore, accounting practice cannot be culture-free (Violet, 1983). Religious beliefs are a subset of a culture's total beliefs and those beliefs may influence accounting performance (Kanagaretnam, Lobo and Wang 2015). Religions are a primary source of moral injunctions and beliefs and, therefore, set the general culture for a country.

Jamali et al. (2017) contend that prior studies which link CSR to moral, spiritual and religious values and beliefs are founded largely within Judeo-Christian traditions. In this study, we extend the CSR literature by examining the CSR disclosures in a Muslim dominated country. Malaysia is a multi-cultural country with three main ethnic groups; the majority Muslim Malays, and the minority non-Muslim Chinese and Indian communities. Malaysia provides a unique setting to investigate the role of Muslim CEO in the corporate decision making. The religious faiths of the upper echelons in Bursa Malaysia listed firms are observable from their ethnic backgrounds. Whereas Malay is invariably Muslim[1], the Malaysian Chinese or Indian generally follow Buddhism or Hinduism, respectively. However, the high ethnic diversity that characterises Malaysia is not mirrored in the board composition of listed companies. Government-owned firms are mostly governed by Malay Muslim, but other firms are controlled and managed by Malaysian Chinese (Abdullah, Ismail and Nachum 2016). Thus, we partition the religious faiths of Malaysian CEOs dichotomously into Malay/Muslim and non-Malay/non-Muslim, instead of along the three main racial lines. In addition, the presence of a sufficiently large number of non-Muslim CEOs provides a strong tool to make robust comparisons and inferences between the CSR practices among firms with Muslim CEOs versus non-Muslim CEOs. Hooy and Ali (2017) similarly exploit this unique mix of religious beliefs among the upper echelons in Malaysia, to investigate the role of Muslim CEOs on the performance of Malaysian Shariah firms.

Apart from examining the role of Muslim CEO on CSR practices, this study also addressed the impact of board gender diversity on sustainability reporting. The role of women's representation at the decision making level has received special attention from the Malaysian government. In 2011, the Malaysian Cabinet made it compulsory for corporate firms to have at least 30% female representation in boardroom level positions by 2016 (Abdullah, 2014). However, this target was not met and the latest Malaysian Code on Corporate Governance 2017 recommends 30% female representation in the boards of large firms with market capitalisation of at least RM2 billion (Securities Commission, 2017). Although Katmon et al. (2017) examine board gender diversity and the quality of CSR disclosures in Malaysia, our study differs from them in term of sample selection as we limit our sample to companies with analyst followings which make the provided results unique. Hussainey, Schleicher and Walker (2003) argue that firms with wider analyst coverage are more likely to provide informative

[1] Article 160(2) of the Malaysian constitution of 1957 defines the ethnic Malay as a person who professes the religion of Islam (Hooy and Ali, 2017)

disclosures including proactive CSR disclosures. Thus, we believe our sample can generate more informative results.

We use upper echelons theory as a theoretical framework for this study guide by Hambrick and Mason (1984). According to this framework, the demographics of board composition have implications for organisational performance. They define organisational outcomes as the "reflections of the values and cognitive bases of powerful actors" (i.e. the upper echelons) in such organisations. The main tenet of this perspective is that corporate strategic choices and decision outcomes can be predicted by the decision maker's cognitive biases and personal values. Post and Byron (2015) and Byron and Post (2016) argue that the directors' cognitive frames – due to their prior knowledge, experience and values – inform strategic decision making, and ultimately, corporate strategy. Similarly, we contend that upper echelons theory is an ideal framework for our analysis because it suggests that as the cognitive frame composition of a board is determined, in part, by the presence of Muslim CEO and women's representation on boards, CEO religiosity and female directors will bring different knowledge, experiences and values to the board deliberations.

Whilst scholars have examined a myriad aspects of upper echelon traits and their impacts on organisational outcomes, including corporate financial reporting (Plöckinger et al., 2016), there is a scarcity of studies on the traits associated with cultural value, i.e. religion, due to lack of data regarding CEO's religious affiliations. However, a vibrant stream of research has recently emerged that empirically examined the association between the religious beliefs of CEO and organisational outcomes (Jiang et al., 2015; Baxamusa and Jalal, 2016; Hooy and Ali, 2017). Jiang et al. (2015) examine the religiosity of the founder of family firms and corporate risk taking in China; Baxamusa and Jalal (2016) compare the risk aversion of Catholic versus Protestant CEOs in the USA; whereas Hooy and Ali (2017) examine the association between Muslim CEO and firm performance among Shariah compliance firms in Malaysia. We extend and complement this line of research by examining whether firm CSR behaviour is associated with the CEO's religious belief. Following Hooy and Ali (2017) assertion that Muslim managers are more concerned about social responsibility as Islam emphasises the relationship between Allah and man and Allah and the environment or the nature, we expect a firm with a Muslim CEO is more likely to disclose pertinent CSR information.

The two pioneering studies that examine religiosity and CSR closest to our study are Du et al. (2014) and Jin, Shi and Zhang (2017) which look at the associations between religious social norms and CSR in China. In the same spirit as Dyreng et al. (2012) and McGuire et al. (2012), they use the religious atmosphere in the region/district around the firms' registered addresses as a proxy of firm-level religiosity. Our study differs from Du et al. (2014) and Jin et al. (2017) by focusing on the religious affiliation of the CEO, instead of using firm-level religiosity, proxied by number of religious sites such as churches, temples, monasteries and mosques near the vicinity of the firm. We believe religiosity of the top decision maker rather than firm-level religiosity is a more compelling measure to test the effects of religiosity on corporate outcomes. The lack of evidence on the role of religion in influencing CSR disclosures in other cultural and religious settings especially Islam, the second largest religion after Christianity, has created a gap in the literature. Thus, it is an empirical issue whether Muslim CEOs are associated with greater CSR disclosures, in tandem with the positive role of Islamic religion in promoting CSR.

We also examine whether the presence of female directors brings about greater transparency in the reporting of CSR. Although the Malaysian government has set 2020 as the date "by which we want all Public Listed Companies to have at least 30 percent women at board level"[2], there seems to be a paucity of evidence to support the contention that representation of women on boards confer benefits to Malaysian listed firms. For example, Abdullah et al. (2016) find that "female directors create value for some firms and decrease it for other. The impact varies across different performance indicators, firms' ownership, and boards' structure". Further, Abdullah and Ismail (2016) show that the presence of women on the boards of Malaysian firms is not associated with the propensity for earnings management, although the presence of women on audit committees leads to income reducing earnings management. Similarly, Alazzani, Hassanein and Aljanadi (2017) argue that the presence of females on boards affect social and environmental performances differently, due to cultural factors. In a culture where the community has a significant humane orientation such as Malaysia, female directors are likely to pay much more attention to social rather than environmental issues. Badru, Ahmad Zaluki and Wan-Hussin (2017) do not find evidence that women on boards of IPO firms in Malaysia are associated with higher capital raised in IPOs. However, Katmon et al. (2017) find

[2] Prime Minister's keynote address at Invest Malaysia, Kuala Lumpur (July 25, 2017)

support that board gender diversity enhances CSR disclosures in Malaysia. In this study, we further test the association between women on boards and CSR disclosures by limiting our analysis to Malaysian firms that are followed by analysts, which distinguish our study from Katmon et al. (2017). In addition, instead of focusing on board composition along racial line like Katmon et al. (2017), we examine board composition in terms of religiosity i.e. Muslim and non-Muslim directors.

Our results show that Muslim CEO is associated with higher CSR disclosures, which lends credence to Hooy and Ali's (2017) argument that Muslim managers are more concerned about social responsibility as Islam emphasises the relationship between Allah and man and Allah and the environment or the nature. We also find little support that women on boards have positive influence on CSR disclosures.

Our paper makes several contributions that help advance CSR and upper echelons research. First, our study contributes to the growing stream of literature that shows the religiosity of the upper echelon is a critical factor in influencing CSR behaviour, and therefore our study reiterates that the religious beliefs of the CEOs can influence organisational outcomes consistent with Jiang et al. (2015) and Baxamusa and Jalal (2016). Our sample is unique as the presence of a sufficiently large number of non-Muslim CEOs provides a strong tool to make robust comparisons and inferences between the CSR practices among firms with Muslim CEOs versus non-Muslim CEOs. Our finding echoes the view that the presence of a religious CEO and board members bring different values to the board deliberations and has implications for corporate behaviour, consistent with the upper echelon theory. Second, we extend Du et al. (2014) and Jin et al. (2017) by using a more competent measure of firm religiosity i.e. using the religious affiliation of the CEO, rather than the number of religious sites around the firm, to test the association between religiosity and CSR. Third, given that the role of women on boards in promoting CSR in a developing Muslim dominated country is an area of research that received limited attention in the literature, our findings add to the sparse empirical evidence.

The rest of this paper is organised as follows. Section 2 briefly introduces the upper echelons theory while Section 3 presents the literature review and hypotheses development. In Section 4, we discuss the research methodology and Section 5 highlights the key findings. We discuss, conclude and present the limitations of our study in Section 6.

2. Upper echelons theory

Beginning with Hambrick and Mason’s (1984) pioneering and seminal work focusing on the upper echelons of management, the primary decision makers of business organisations, there has been a large body of literature examining how organisational outcomes are driven by the diversity of the top management team. This is reflected in managerial characteristics and idiosyncrasies such as age, tenure, functional background, and educational experience that capture values, cognitions and perceptions (Parola et al., 2015; Plöckinger et al., 2016). As a first premise, this theory states that top managers exert a fundamental influence on strategic choices in their organisations and, hence, on organisational outcomes (Finkelstein and Hambrick, 1990; Hambrick and Mason, 1984; Wiersema and Bantel, 1992). This premise is founded on studies by March and Simon (1958) and Cyert and March (1963) who argue that complex decisions are largely the outcome of behavioural factors rather than a mechanical quest for economic optimisation. A second premise of upper echelons theory is that, if strategic choices have a large behavioural component, they reflect the decision-maker’s cognitive biases and values. Hambrick and Mason (1984) state that, “the manager’s eventual perception of the situation combines with his/her values to provide the basis for strategic choice” (p. 195). This theory argues that a manager’s demographic and psychological characteristics – particularly the individual’s personal values – have an impact on organisational outcomes because both are key variables in the way that the manager makes strategic choices.

To reiterate, in the upper echelons perspective, the values and beliefs of top managers are pivotal in shaping firm strategies. Upper echelons theory posits that values significantly impact executives and directors (Lichtenstein, Higgins and Dade, 2011). In this study, we focus on two observable top management demographics namely religious faith and gender, which constitute important measures of top management diversity, albeit relatively under-researched. One key determinant of such core values is a belief system, such as religion (Minton and Kahle, 2014; Roccas, 2005; Saroglou, Delpierre and Dernelle, 2004). The upper echelons perspective has previously been used successfully to explain the strategic decisions and behaviours of a company’s board of directors. It would prima facie be equally valid for explaining the link between CEO’s religious belief and CSR disclosures. Thus, we assume that the CEOs' Islamic values and beliefs will shape their assessments of the potential efficacy of various corporate actions, including CSR initiatives. Another potential driver of the firm value system is the gender diversity of the board. Bao et al. (2014) synthesise the values brought by women in upper management on organisational process as follows: women are more socially oriented than men, more attentive to stakeholders, more egalitarian and caring in nature, more susceptible in creating goodwill and directing attention to soft issues and more likely to focus on non-financial performance measures, such as employee and customer satisfaction, diversity and corporate social responsibility. According to Parola et al. (2015) "Although not specifically identified in the original upper echelon framework, there is growing consensus that gender is another characteristic of top managers influencing their values, cognitions, perceptions, and thus decision processes (e.g. Dezsö and Ross, 2012; Dixon-Fowler et al., 2013; Klenke, 2003; Yang and Wang, 2014)". Likewise, Byron and Post (2016) and Post and Byron (2015) find the upper echelons framework is appropriate in explaining organisational outcomes associated with board gender diversity, since women and men tend to bring different knowledge, experiences and values to the boardroom.

3. Literature review and hypotheses development

3.1 Muslim CEO and CSR

Recent empirical studies show that religiosity influences the quality of financial reporting. A cross-country study by Kanagaretnam et al. (2015) shows that banks in countries that have higher religiosity exhibit lower earnings management. Dyreng, Mayew and Williams (2012) examine the relationship between Christian religiosity and corporate financial reporting. They show that firms located in areas of high Christian religiosity are associated with a lower likelihood of financial restatement and fraudulent accounting. Similarly, McGuire, Omer and Sharp (2012) find that higher Christian religiosity is associated with a lower incidence of financial reporting irregularities. These studies measure the religiosity of managers based on the geographical location where the firms are headquartered (i.e. the strength of each US counties religious social norms). Leventis, Dedoulis and Abdelsalam (2015) show that religious adherence in the geographical area where a US firm's headquarter is located decreases audit risk and audit costs, which is, in turn, reflected in reduced audit pricing. Likewise, Omer, Sharp and Wang (2016) also demonstrate that religiosity is associated with audit practices, whereby auditors located in areas with strong religiosity are more likely to resist client pressure to withhold going concern opinions.

Du et al. (2014) extend this line of research and examine the association between firm level religiosity and corporate environmental responsibility in China. They assessed firm religiosity in China by the number of Buddhist monasteries and Taoist temples within a radius of certain distance around a listed firm's registered address. They find positive association between Buddhism and corporate environmental responsibility among Chinese firms.

There are also studies on religiosity and corporate reporting which focus on the Islamic religion. Using data from 15 countries, Quttainah, Song and Wu (2013) show that banks which comply with the Islamic rules (Shariah principles) have lower earnings management than conventional banks. Meanwhile, Annuar, Sulaiman and Nik Ahmad, (2009) show that Malaysian firms that follow Shariah principles disclose more environmental disclosures than their non-Shariah counterparts. In the same vein, Haniffa and Cooke (2005) and Wan-Hussin (2009) show that firms with more Malay ethnic directors are associated with greater corporate social disclosures and segmental disclosures, respectively. Johl, Subramaniam and Mat Zain (2012) argue that clients with Malay CEOs are charged higher audit fees by the auditors due to their greater inherent risk as the Malay CEOs are perceived to have less business acumen than their Chinese counterparts. However, an alternative interpretation is Malay CEOs demand greater audit effort from their auditors to enhance the quality of financial reporting. Given that Malay directors are invariably Muslim, the findings imply that Malaysian firms imbued with Islamic values tend to exhibit greater corporate disclosures. Ramasamy, Ling and Ting (2007) find that Malay chief executives demonstrate higher corporate social performance levels than companies with Chinese chief executives. All the evidence that has emerged is consistent with Baydoun and Willet (2000) who suggest that under Islamic accounting, two important criteria for disclosure are social accountability and full disclosure.

The connection between Islam, social responsibility and justice has been identified since the religion's earliest phase. In modern research, the connection between Islam and social reporting has been presented by Mukhazir, Muhamad and Noordin (2006) and Dusuki (2008). Mukhazir et al. (2006) explain that Islamic social responsibility emerged from the tawhidic (faith) approach, which consists of three relationships: to Allah (SWT), to humans and to the environment. This is strengthened by Dusuki (2008) who explains that the Islamic concept of

CSR is rooted in the principle of vicegerency (khalifah) and brotherhood (ukhuwwah). The former relates to the condition where besides acting for the benefit of shareholders, firms are also required to embrace the environmental and social issues, as man is considered to be the vicegerent of Allah (SWT) on earth and thus a trustee of Allah‘s (SWT) resources (Khan and Karim, 2010).

The principle of vicegerency explains that Allah (SWT) appoints man to act as His representative on earth by being His guardian and upholding the principle of stewardship over His possessions. The principle of brotherhood, on the other hand, stresses the importance of social justice. This principle stresses that Muslims are responsible to each other and to all the humans and to take care of the basic needs of the poor. It is argued that in Islam, the community and the environment demand a form of social accountability rather than personal accountability found in the Western societies. Thus, Islamic corporate reports include the disclosure of any information that should be rightfully given to members of the community in accordance with the principles of the Shariah (Baydoun and Willet, 2000). The emphasis on social responsibility in Islam can be observed in many Quranic verses. For example, Surah Al-Ma‘un (107:1-6), where Allah (SWT) categorises the people who repulse the orphans, who refuse to feed the poor, who delay their prayers (Salat), who do good deeds only to be seen by others and those who prevent themselves from doing small kindness, as belonging to the group who denies the religion. Even in business, Muslims are required to be considerate to the debtors, who cannot pay, as quoted in Surah Al-Baqarah (2:280): If the debtor is in difficulty, grant him time till it is easy for him to repay. But if you remit it by way of charity, that is best for you if you only know.

Angelidis and Ibrahim (2004) study whether there is a relationship between an individual's degree of religiousness and his or her CSR orientation. The results of a survey of 473 business students find a significant relationship between the degree of religiousness and attitudes toward the economic and ethical components of CSR. Arslan (2001) surveys 277 Protestant, Catholic, and Muslim Turkish managers to examine whether religious denomination influences an individual's work ethic. The results suggest that there is a significant difference between Muslim and other groups. Muslims exhibit the highest ethical level, followed by Protestants, then Catholics. Brammer et al. (2007) study the relationship between individual religious affiliation and attitudes towards CSR. Their evidence suggests that, broadly, religious individuals do not prioritise the responsibilities of the firm differently, but do tend to hold broader conceptions of the social responsibilities of businesses than non-religious individuals. Although the two empirical studies in Malaysia (Wan-Hussin, 2009; Haniffa and Cooke, 2005) do not explicitly test the role of Muslim directors and corporate disclosures, they obtain significant relationship between Malay directors, who are invariably Muslims, and greater corporate disclosures. Based on the above, we predict that firms endowed with Islamic values such as having a Muslim CEO are predicted to be more involved in CSR activities and provide sufficient information to their diverse stakeholders. Thus, we state the following hypothesis:

H1. There is a positive relationship between Muslim CEO and corporate social responsibility disclosure.

3.2 Women on boards and CSR

Rao and Tilt (2016) provide a comprehensive review of studies on board composition and corporate social responsibilities, by paying special attention to role of board gender diversity. They note there is a global pressure to enhance the presence of female directors with several countries such as Australia, China, France, India, Italy, Norway, Spain and Sweden, having started adopting either legislative or voluntary initiatives to promote female representation on corporate boards. The majority of the literature on gender differences argues that there are significant differences in values, perceptions and beliefs between men and women in general. Such differences are likely to be reflected in their various leadership roles including their board roles. Eagly, Johannesen-Schmidt and Van Engen (2003) suggest that agentic (i.e. related to agency) characteristics such as being assertive, ambitious, aggressive, independent, self-confident, daring and competitive are usually recognised in men, whereas communal characteristics such as a concern with the welfare of other people and being affectionate, helpful, kind, sympathetic, interpersonally sensitive, nurturing, and gentle are identified in women. Moreover, Ibrahim and Angelidis (1994) and Williams (2003) contend that women are more oriented towards philanthropic activities compared to their male colleagues who are more economically oriented. Bear, Rahman and Post (2010), Eagly et al. (2003) and Eagly and Johnson (1990) contend that having more women on boards could encourage more open conversations and stimulate more participative communication among board members. Rudman and Glick (2001) argue that women are more likely than men to possess communal attributes such as empathy with the welfare of other people, helpfulness, kindness, sympathy, sensitivity, nurturing and gentleness. Hillman, Canella and Harris (2002) argue that female directors are able to bring a broader perspective and enable the board to assess better the needs of diverse stakeholders. Therefore, having female directors may sensitise boards to CSR initiatives, and provide perspectives that can be helpful in addressing CSR issues.

There is a large body of literature on the effect of women on boards and firm performance (Post and Byron, 2015). However, the literature on female directors and CSR is less extensive and are predominantly in the western contexts (Ibrahim and Angelidis, 1994; Wang and Coffey, 1992; Siciliano, 1996; Williams, 2003; Kruger, 2010; Bear et al., 2010; Bernardi and Threadgill, 2010; Braun, 2010; Galbreath, 2011). Kruger (2010) finds that companies with higher female board representation tend to be more generous towards communities and pay more attention to the employees' welfare and the environment, indicating that a stronger presence of board members with altruistic preferences generates more pro-social corporate behaviour. Braun (2010) shows that women have stronger environmental attitudes and commitment to a green entrepreneurship programme than men. Bear et al. (2010) argue that the positive relationship between the number of female directors and CSR are attributed to two major strengths brought by women to the board, namely increased sensitivity and participative decision making styles.

More recent empirical studies conducted largely in Western jurisdictions have provided ample evidence that female directors are positively associated with CSR performance, albeit the studies are US-centric and rely heavily on CSR ratings provided by Kinder, Lydenberg and Domino (KLD) Research & Analytics database[3] (Manner, 2010; Mallin and Michelon 2011; Zhang, Zhu and Ding 2013; Boulouta, 2013; Hafsi and Turgut, 2013; Harjoto, Laksmana and Lee, 2015). In te UK, Liao et al. (2015) document that the proportion of female directors is positively related to the disclosure on the greenhouse gas information. Another UK study by Al-Shaer and Zaman (2016) shows that independent female directors are strongly associated with higher quality sustainability reports. Nadeem et al. (2017) report that gender diversity improves CSR disclosures in Australian companies. In the context of Muslim countries, Muttakin, Khan and Subramaniam (2015) find that female directorship in Bangladesh has a negative association

[3] Renamed MSCI ESG Stats

with CSR disclosures. In contrast, using Malaysian data, Alazzani et al. (2017) show that female directors have a better impact on social performance but not environmental performance, and Katmon et al. (2017) show there is a positive association between board gender diversity and CSR disclosures. Similarly, Kilic, Kuzey and Uyar (2015) find women on boards improve CSR reporting in the Turkish banking industry.

Based on the foregoing discussion, we expect that female directors are more likely to encourage the firm to adopt a more socially responsible approach. Thus we posit that the CSR disclosures of firms with women on boards are greater than companies without women on board. Based on the above arguments, it is hypothesised that:

H2. There is a positive relationship between women on the boards and corporate social responsibility disclosure.

4. Research methodology

4.1 Sample selection and data source

In this study, we select companies that have analyst reports publicly available in the Bursa Malaysia website. In order to provide research coverage for more firms listed on Bursa Malaysia and increase the liquidity in the market, Bursa Malaysia launched a joint research scheme with the Capital Market Development Fund (CMDF) known as Capital Market Development Fund Bursa Research Scheme (or CBRS) in November 2004 (Mohammed Qasem, Aripin and Wan-Hussin, 2015). The first batch of financial analysts' research reports was issued and published in March 2005 and made available on the Bursa website. The main reason we select firms with analyst following in this study is due to the greater tendency that firms with wider analyst coverage are more likely to provide informative disclosures including proactive CSR disclosures (Hussainey et al., 2003; Lang and Lundholm, 1996). In June 2008, a total of 303 listed firms participated in the CBRS. We select the year 2009 as our sample period due to the fact that CSR disclosures were made mandatory in Malaysia in 2007, and we make an allowance for a two-year window so that firms have sufficient time to adjust to their new CSR disclosures requirement.

The initial sample was 303 companies. We excluded 170 companies with missing data or that do not fulfil the criteria of this study. The final sample with required data is, therefore, 133 companies. Apart from collecting CSR information and board profiles from the annual reports, we also collect stock market, accounting and other data from Bloomberg, DataStream and Bursa Malaysia website.

4.2 Empirical models and variable definitions

The following ordinary least squares regression (OLS) is used to examine the impact of board diversity on CSR:

$$CSR = \beta_0 + \beta_1 MUSLIMCEO + \beta_2 GENDER + \beta_3 ROE + \beta_4 DEBT + \beta_5 SIZE + \beta_6 SECTOR + \beta_7 BOARDN + \beta_8 AUDITOR + \beta_9 SHARIAH + \beta_{10} NONEXECN + \beta_{11} INDN + \varepsilon$$

where CSR represents the score of the 21 CSR-related activities as shown in Appendix A. Board diversity is proxied by two variables: MUSLIMCEO and GENDER. MUSLIMCEO takes the value of 1 if the CEO is a Muslim, 0 otherwise. As for GENDER, we use various proxies; GENDERD is a dummy variable that takes the value of 1 if there is a female on the board, 0 otherwise. GENDERN and GENDERPCT represent the number and percentage of female directors respectively.

Several control variables are included in the model, based on previous studies (Amran and Devi, 2008; Coffey and Fryxell, 1991; Cox, Brammer and Millington, 2004; Graves and Waddock, 1994; Johnson and Greening, 1999; Saleh, Zulkifli and Muhamad, 2010). ROE is return on equity. DEBT is the total debt to total assets. SIZE is the log of market capitalisation at the end of 2009. BOARDN is the number of directors on the board. AUDITOR takes the value of 1 if the company is audited by one of Big 4 auditors, 0 otherwise. SHARIAH takes the value of 1 if the company is Shariah compliant and 0 if the company is non-Shariah compliant. NONEXECN represents the number of non-independent non-executive directors, and INDN represents number of independent directors. SECTOR is given a value of 1 if firms belong to trading and services sectors, 0 otherwise.

4.3 Development of CSR disclosure score

Appendix A describes the procedure used to measure the CSR disclosure score. Certain operational rules were developed. When the statement did not contain any specific facts or data or numbers then it was treated as general. For each of the CSR items, a score of 1 is given if the company discloses such information in a meaningful way, and 0 otherwise. The index also includes the quality of corporate governance based on the annual ranking of the top 100 companies conducted by the Minority Shareholder Watchdog Group (MSWG) in 2009. This CSR disclosure score can be replicated easily because it focuses on meaningful CSR disclosure and ignores general disclosures or empty statements. Many of the previous studies proxy the extent of CSR activities by counting words, sentences and pages related to CSR in the annual reports. A relevant issue is whether investors assess the CSR of the companies in the same way. It is fair to say that, in reality, investors consider the implementation of substantive CSR activities, instead of relying on the general and rhetorical disclosures, which do not add value to their decision making.

We argue that the choice of binary score for CSR items is consistent with the way prior researchers have measured the quality of CSR. Based on that argument, we assign a score of 0 for general and rhetorical none-meaningful disclosure and 1 for useful CSR disclosure that reflects substantive CSR activities. The examples below illustrate how we distinguish between giving a score of 1 or 0 for specific versus general/rhetorical CSR disclosures. For a sample company which discloses the information below, we assign a score of 0 because the disclosure on greenhouse gas (item 2 in Appendix A) is too general and rhetorical:

> *"Group is in compliance with the environmental laws governing plant operations in areas relating to emission standards and plant effluents*".

However, in the case of another company, we give a score of 1 for the same item on greenhouse gas emission because the disclosure is more candid and explicit:

> *"To reduce the effect of harmful vehicle exhaust emissions, in particular greenhouse gas ("GHG") emissions, from the 1.3 million vehicles that ply our expressways daily, we have introduced various initiatives to reduce congestion at our mainline and toll plazas. In 2009, our efforts to reduce this congestion and GHG emissions saw us achieving 51% of our toll collections via electronic means (including the use of SmartTAG, Touch „n Go and PLUStrack). The completion of modification works for through-traffic between Ipoh Selatan and Jelapang too has helped ease traffic congestion and reduced exhaust emissions".*

Our disclosure index measurement is similar to Katmon et al. (2017) who give a score of 0 if companies failed to disclose any kind of CSR information for the respective items, 1 if CSR-related description is generic, 2 if CSR information contains non-quantitative disclosure and 3 if CSR disclosure contains financial information. Thus, our 0 (1) score can be considered equivalent to Katmon's 0/1 (2/3) score. To ensure the content validity of CSR measurement, the CSR disclosure index for this study was developed from an extensive review of relevant sources and literature such as Welford (2004). Welford, Chan and Man (2008), GRI-G3[4], the CSR booklet issued by Bursa Malaysia (Bursa Malaysia, 2007), Sjöström and Welford (2009), Luo et al. (2015), Rahman and Post (2012) and Greening and Turban (2000). In our CSR index, we used only items or statements rated as important by respondents in prior studies and practiced by a wide range of industries. For example, Luo et al. (2015) indicated that analysts discuss pertinent CSR information such as environment, products, employee relations, corporate governance, and community service in their reports.

The second issue with our CSR disclosure score measurement is its reliability or consistency. Eight months after scoring the CSR index for all the sample companies, we repeated the scoring for 30% of the sample and obtained above 90% consistency. It is worth noting that the initial CSR index (CSRINITIAL) included 17 additional items which were eventually removed from the index, because the vast majority of companies did not practice/disclose them. For example, items such as feedback from stakeholders, priority for local products, and ensuring that suppliers act in socially responsible way were removed from marketplace disclosure. In the sensitivity analysis, we report the results when CSRINITIAL is used instead of CSR.

5. Findings

5.1 Descriptive statistics

The descriptive statistics of the variables are exhibited in Table 1 Panel A. The average CSR score is 4 (out of a maximum possible 21) and ranges from 0 to 19, which suggest that Malaysian listed companies that have CBRS analyst followings in our sample, fall far behind

[4] The Global Reporting Initiative (GRI) is a non-profit organization that promotes economic sustainability. It produces one of the world's most prevalent standards for sustainability reporting — also known as ecological footprint reporting, environmental, social and governance (ESG) reporting, triple bottom line (TBL) reporting, and corporate social responsibility (CSR) reporting. GRI seeks to make sustainability reporting by all organizations as routine as, and comparable to, financial reporting.

international best disclosure. This low CSR score is in tandem with a Bursa Malaysia study conducted in 2007 on a sample of 200 companies, which found that two-thirds of companies were rated as average, below average or poor. The companies were classified in one of the six performance bands: leading, good, above average, average, below average and poor. These companies were assessed and given an individual score out of a total 150. This was a cumulative score from across the four dimensions: marketplace, workplace, environment and community. In Table 1 Panel B we also provide descriptive statistics for the individual CSR items. Very few companies (less than 10%) disclose information on the amount of donation and stakeholder engagement.

The descriptive statistics (Panel A) also indicate that 23% of the sample companies have a Muslim CEO, and 46% have at least one female director. Only 8.4% of board members are female directors. Slightly more than two-thirds of sample firms are audited by one of the Big 4 accounting firms. On average, the sample companies have a 22% debt to asset ratio, ROE of about 11%. Eighty six percent of our sample companies are Shariah-compliant, which is in line with the Bursa Malaysia population. Average board size, number of independent, and non-independent non-executive directors are 8, 3 and 2 respectively.

(Insert Table 1 Here)

5.2 Univariate analyses

Table 2 shows the correlation matrix for continuous variables. The CSR disclosures have positive correlations (at 0.01 level) with firm size, firm performance (ROE), board size (BOARDN), number of independent directors (INDN) and number of non-independent non-executive directors (NONEXECN). Table 3 shows the non-parametric correlation matrix for dummy variables and CSR. Table 3 shows that there are positive correlations between CSR and Muslim CEO (supporting H1) and between CSR and Big 4 auditor. The univariate analysis in Tables 2 and 3 suggests that female directors (as measured by number, proportion and presence) are not associated with CSR, thus it provides preliminary evidence that H2 is not supported. None of the correlations between the independent variables are greater than 0.5, which suggests that multicollinearity is not an issue in this study

(Insert Tables 2 and 3 Here)

Table 4 further reinforces the univariate results. The average CSR index for firms with Muslim CEOs is significantly higher than their counterpart with non Muslim CEOs (Panel A). Likewise firms with majority Muslim directors have significantly higher CSR disclosures than firms with majority non Muslim directors (Panel C). Although Panel B indicates that firms with the presence of female director have higher CSR than firms without female director (4.820 versus 3,986), however the difference in mean is not statistically significant. Thus H2 is not supported.

(Insert Table 4 Here)

5.3 Multivariate analyses

Table 5 presents the results of the multivariate regression analyses on the determinants of CSR disclosures. We regress three models to study the relationship between CSR and CEO Muslim and gender diversity. The results in all the three models are highly significant with adjusted R^2 of approximately 39% for every model. The results indicate that Muslim CEO is positively associated with CSR, and is consistent with the theoretical arguments by Dusuki (2008) and Mukhazir et al. (2006). The evidence is also in tandem with Haniffa and Cooke (2005) and Wan-Hussin (2009). Although we find positive relationship between the female directors and the CSR, but the association suggests a trend only and does not reach a level of significance. This result is consistent with the study of Amran et al. (2014), but contrasts Katmon et al. (2017). The difference in result could be due to sample selection. We include only firms with CBRS analyst followings and disclose CSR information in the year 2009. Katmon et al.'s (2017) sample is not limited to firms with CBRS analyst followings and they use more recent CSR disclosures spanning the period 2009 to 2013.

Other variables that have strong positive relationship with CSR are firm size and firm performance (ROE). It should be noted that firm size is one of the main driving factors that influence CSR reporting for our sample firms. Our results also indicate that there is no significant difference in CSR disclosure between Shariah-compliant and non-Shariah compliant firms.

(Insert Table 5 Here)

5.4 Further Analyses

Finally, in Table 6, we do further analyses by replacing gender with a new variable GENDERCEO, which takes the value of 1 if the CEO is female, 0 otherwise (model 4) and replacing Muslim CEO by number of the Muslim directors (MUSLIMDIRN) in model 5. We find similar results as that shown in Table 5 (models 1, 2 and 3). We also run another regression by replacing Muslim CEO by another variable CHAIRCEOMUSLIM, which takes a value of 1 if the chairman and CEO are both Muslims, 0 otherwise, in model 6. The results are similar to those reported previously in models 1, 2, and 3. Furthermore, we also replace CSR with CSRINITIAL, which is the comprehensive score for CSR disclosures comprising 39 items. The findings are qualitatively similar to the main results shown in Table 5 (both results for additional analyses are untabulated). In sum, the results suggest that religiosity of the upper echelons is more impactful than gender diversity in influencing CSR practices in a Muslim dominated country.

(Insert Table 6 Here)

6. Discussion and conclusions

We believe our study makes several noteworthy contributions. First, to the best of our knowledge our study is the first that examines the link between Muslim directors, female directors and CSR disclosures. While most studies of board diversity are based on developed countries data this study offers new insights into the relationship between board diversity and firm CSR behaviour by using data from a developing country, Malaysia. Second, Malaysia, a multi-cultural country with three main ethnic groups, provides a unique setting to investigate the role of directors' religiosity in the corporate decision making. The religious faiths of Malaysian directors are observable from their ethnic backgrounds, where Malay directors are invariably Muslim and the Malaysian Chinese and Indian directors are non-Muslims (generally they adhere to Buddhism and Hinduism religions respectively).

Third, on the theoretical front, we believe we are the first to integrate religiosity as an indicator of board diversity in the upper echelons theory. Last, although a large number of studies have explored the board characteristics that may influence CSR behaviour, such as size, independence, tenure, education, age, and experience, only a few of them have explicitly focused on both the religious faith and gender composition of the top management team. More particularly, our findings complement previous research emphasising the importance of religiosity in influencing financial reporting (Kanagaretnam et al., 2015; Dyreng et al., 2012; Quttainah et al. 2013; McGuire et al., 2012), audit practice (Leventis et al., 2015; Omer et al., 2016), corporate responsibility (Du et al., 2014; Jin et al., 2017) and risk management (Jiang et al., 2015; Baxamusa and Jalal, 2016). Further, most of prior research has focused primarily on firm-level analysis as a proxy for religiosity, while this study focused on the faith and beliefs of top management i.e. individual level analysis.

The study shows that meaningful CSR engagements in Malaysia are still low in 2009, our study period. In December 2010, Bursa Malaysia announced that it would launch an environmental, social and corporate governance index 2012, as a catalyst to attract more socially responsible investment funds into Malaysia (Sharma, 2013). Eventually, in December 2014, the sustainability index mooted in 2010 came to fruition with the launch of the FTSE4Good Bursa Malaysia Index. It consists of 25 companies selected from the top 200 Malaysian stocks in the FTSE Bursa Malaysia Emas Index, screened in accordance with the transparent and defined environmental social and governance (ESG) criteria (FTSE factsheet, 30 October 2015).

Drawing on the upper echelons framework, we examine board diversity, proxied by two observable demographic indicators, religious faith and gender bias, as predictors of CSR disclosure. We expect that Muslim directors and female directors are likely to pay greater attention to corporate responsibility disclosure. We measure CSR disclosures using a CSR index comprising 21 items which cover environmental activities, community and social engagements, marketplace and workplace disclosure and corporate governance strength. Most CSR studies to date have focused on European and American cultures that are based on Western value system (Mohammed, 2007).

The lack of evidence on CSR disclosure in non-Western cultural and religious settings especially Islam, which is the second largest religion after Christianity, has created a gap in the literature. Thus, we fill this important lacuna in the study of CSR reporting by providing evidence on how CSR disclosure in a Muslim dominated country is shaped by two key board demographics: religious faith and gender. This study provides supporting evidence that Muslim directors play a crucial role in shaping corporate decisions towards implementing

CSR. Both religiosity proxies, the presence of a Muslim CEO and number of Muslim directors, lead to enhanced CSR disclosure. Thus, our study supports the upper echelons theory by illustrating the importance of religious value in influencing CSR disclosure. In this study, we also show that the female directors are not associated with an improvement in firm CSR disclosure. These results can be explained by the fact that the lower number of female on the board may not be sufficient to influence the company's decisions. Overall, our study supports the hypotheses and lends credence to the upper echelons theory, specifically the idea that organisational outcomes are reflections of the values and cognitive biases of powerful actors in the organisation.

The study is subject to several limitations. First, although our CSR index captures useful information similarly used in prior research, it is based on unsubstantiated CSR information provided in the annual reports, i.e. no third party assurance. Moreover, the disclosures in the annual reports may not capture all facets of CSR activities undertaken by the firm. Future research may consider adopting a computer-intensive technique to measure the quality of CSR reports as advocated by Muslu et al. (2017). Second, this study focuses on a specific religion (i.e. Islam) and measures Islam religiosity based on the ethnicity of the directors. Future study may address the challenges in measuring the degree of religiosity of the non-Malay directors (Christianity, Confucianism, Buddhist, etc). Another avenue for future research is to compare the religiosity of the upper echelons between FTSE4Good firms and their counterparts.

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Table 1: Panel A Descriptive statistics

	Minimum	Maximum	Mean	Std. Deviation
CSR	0	19	4.368	3.886
MUSLIMCEO	0	1	0.226	0.420
GENDERN	0	4	0.639	0.829
GENDERD	0	1	0.459	0.500
GENDERPCT	0	0.5	0.084	0.111
DEBT	0	0.645	0.218	0.167
ROE	-0.228	1.766	0.111	0.178
SIZE	2.415	7.541	5.501	0.726
SECTOR	0	1	0.338	0.475
AUDITOR	0	1	0.699	0.460
SHARIAH	0	1	0.857	0.351
BOARDN	3	14	8.135	1.972
INDN	0	8	3.316	1.062
NONEXECN	0	9	1.910	1.676

The variables are defined in section 4.2. Sample size is 133.

Table 1: Panel B Descriptive statistics for individual CSR items.

Individual CSR items	Mean	Std. Dev.	Min	Max
Corporate Governance	0.226	0.42	0	1
ISO 14001 or EMS	0.233	0.424	0	1
Greenhouse gas emission	0.173	0.38	0	1
Energy efficiency or investing in renewable technology	0.241	0.429	0	1
Water efficiency	0.120	0.327	0	1
Waste management	0.271	0.446	0	1
Recycling	0.233	0.424	0	1
New green products	0.143	0.351	0	1
Education programs	0.361	0.482	0	1
Donation (existence)	0.654	0.477	0	1
Donation (material amount disclosed)	0.075	0.265	0	1
Community investment initiatives	0.105	0.308	0	1
Employees volunteering	0.165	0.373	0	1
Stakeholder engagement dialogue	0.09	0.288	0	1
Types of stakeholders engagement	0.09	0.288	0	1
OHSAS 18001 certificate or H&S standards	0.195	0.398	0	1
Customer satisfaction survey	0.361	0.482	0	1
Health education	0.135	0.343	0	1
Learning programs	0.714	0.453	0	1
Child care for employees	0.143	0.351	0	1
Others (Miscellaneous)	0.195	0.398	0	1

Table 2

Pearson correlation matrix

	CSR	GENDERN	GENDERPCT	ROE	DEBT	SIZE	BOARDN	NONEXECN	INDN
CSR	1								
GENDERN	0.1263	1							
GENDERPCT	0.0521	0.9408***	1						
ROE	0.2999***	-0.0911	-0.0868	1					
DEBT	0.1387	-0.1023	-0.0836	0.0109	1				
SIZE	0.4904***	0.1356	0.0783	0.2875***	0.0826	1			
BOARDN	0.2821***	0.0486	-0.2033*	0.006	-0.0433	0.2077*	1		
NONEXECN	0.2285**	-0.0127	-0.1533	-0.0216	0.0106	0.2461***	0.4826***	1	
INDN	0.2599**	0.1047	0.034	0.0609	-0.1002	0.1747**	0.3991***	0.0928	1

The variables are defined in section 4.2. Sample size is 133.

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Table 3

Spearman correlation matrix

Variables	CSR	MUSLIMCEO	AUDITOR	SECTOR	SHARIAH	GENDERD
CSR	1					
MUSLIMCEO	.357**	1				
AUDITOR	.262**	.197*	1			
SECTOR	.277**	.374**	.192*	1		
SHARIAH	-.155	-.140	-.127	-.253**	1	
GENDERD	.141	.045	.011	.075	.117	1

The variables are defined in section 4.2. Sample size is 133.

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Table 4

Differences in means of CSR between subsamples

	n	Mean CSR	Std. Dev. CSR	T-test
Panel A - Muslim CEO vs. non Muslim CEO				
Muslim CEO	30	6.867	5.200	-3.226***
Non Muslim CEO	103	3.641	2.978	
Panel B - Presence of female vs. no female on board				
At least 1 female on board	61	4.820	3.897	
No female on board	72	3.986	3.862	0.834
Panel C – Majority Muslim on board vs. Majority non Muslim on board				
At least 50% Muslim on board	40	6.325	4.811	
Less than 50% Muslim on board	93	3.527	3.077	2.798***

* p<0.10; ** p<0.05; *** p<0.01 indicate that the mean differences are statistically significant at the 10 percent, 5 percent, and 1 percent levels

Table 5

Determinants of corporate social responsibility disclosure

$$CSR = \beta_0 + \beta_1 MUSLIMCEO + \beta_2 GENDER + \beta_3 ROE + \beta_4 DEBT + \beta_5 SIZE$$
$$+ \beta_6 SECTOR + \beta_7 BOARDN + \beta_8 AUDITOR + \beta_9 SHARIAH + \beta_{10} NONEXECN + \beta_{11} INDN + \varepsilon$$

	Model 1	Model 2	Model 3
MUSLIMCEO	1.736	1.721	1.735
	(2.15)**	(2.14)**	(2.15)**
GENDERD	0.669		
	(1.20)		
GENDERN		0.430	
		(1.22)	
GENDERPCT			3.203
			(1.24)
ROE	4.720	4.773	4.769
	(2.31)**	(2.37)**	(2.36)**
DEBT	2.536	2.598	2.572
	(1.46)	(1.50)	(1.49)
SIZE	1.523	1.507	1.509
	(3.38)***	(3.36)***	(3.38)***
SECTOR	0.317	0.319	0.331
	(0.51)	(0.51)	(0.53)
BOARDN	0.289	0.281	0.327
	(1.61)	(1.55)	(1.78)
AUDITOR	0.905	0.890	0.882
	(1.71)*	(1.65)	(1.64)
SHARIAH	-0.318	-0.344	-0.340
	(0.34)	(0.37)	(0.37)
NONEXECN	-0.037	-0.022	-0.019
	(0.19)	(0.11)	(0.10)
INDN	0.259	0.243	0.229
	(0.63)	(0.58)	(0.55)
(CONSTANT)	-9.390	-9.166	-9.507
	(2.87)***	(2.80)***	(2.92)***

R^2	0.39	0.39	0.39
N	133	133	133

* *p*<0.10; ***p*<0.05; ****p*<0.01 Indicate that the estimated coefficients are statistically significant at the 10 percent, 5 percent, and 1 percent levels, respectively, in two-tailed t-tests based on robust standard errors. All variables are defined in section 4.2

Table 6

Further analyses

	Model 4	Model 5	Model 6
MUSLIMCEO	1.694		
	(2.06)**		
MUSLIMDIRN		0.320	
		(2.12)**	
GENDERCEO	0.901		
	(0.70)		
GENDERPCT		3.751	
		(1.43)	
CHAICEOMUSLIM			0.773
			(2.00)**
GENDER			0.674
			(1.21)
ROE	4.535	4.779	4.542
	(2.20)**	(2.42)**	(2.23)**
DEBT	2.308	2.490	2.726
	(1.32)	(1.42)	(1.56)
SIZE	1.571	1.456	1.517
	(3.55)***	(3.33)***	(3.26)***
SECTOR	0.364	0.302	0.587
	(0.56)	(0.44)	(0.91)
BOARDN	0.293	0.235	0.252
	(1.63)	(1.38)	(1.46)

AUDITOR	0.946	0.965	1.028
	(1.73)*	(1.83)*	(1.94)*
SHARIAH	-0.206	-0.503	-0.958
	(0.21)	(0.57)	(1.03)
NONEXECN	-0.057	-0.065	0.046
	(0.29)	(0.32)	(0.26)
INDN	0.281	0.125	0.347
	(0.69)	(0.32)	(0.91)
(CONSTANT)	-9.525	-8.605	-9.261
	(2.94)***	(2.80)***	(2.88)***
R^2	0.39	0.39	0.38
N	133	133	133

* $p<0.10$; ** $p<0.05$; *** $p<0.01$ Indicate that the estimated coefficients are statistically significant at the 10 percent, 5 percent, and 1 percent levels, respectively, in two-tailed t-tests based on robust standard errors.

Appendix A

CSR disclosure score

Sub-CSR Disclosure	Individual items of sub-CSR disclosure	Score of 1 is given if company disclosed that
Environmental Disclosure	(1) ISO 14001 or EMS	Company has Environmental Management Systems (EMS) or ISO 14001.
	(2) Greenhouse gas emission	Company has taken action towards reducing CO_2.
	(3) Energy efficiency or investing in renewable technology	Company has taken significant measures to reduce its impact on climate change and air pollution through use of renewable energy and clean fuels or through energy efficiency.
	(4) Water efficiency	Company has accomplished a function, task, process, or result with the minimal amount of water usage.
	(5) Waste management	Company treated all materials as a single class, whether solid, liquid, gaseous or radioactive substances, and tried to reduce the harmful environmental impacts of each through different methods.
	(6) Recycling	Company is either a substantial user of recycled materials as raw materials in its manufacturing processes, or a major factor in the recycling industry.
	(7) New green products	Company developed new products with low energy consumption or it has developed innovative products with environmental benefits.
Community and Social Disclosure	(8) Education programs	Company provided education and training to its employees.
	(9) Donation (existence)	Company provided donations and any financial support for community or any NGO.
	(10) Donation (material amount disclosed)	Company's donation exceeds 1.5% of income before tax.
	(11) Community investment initiatives	Company conducted community investment projects.
	(12) Employees volunteering	Employees were involved in the community with the company's encouragement and support by contributing their time and skills. It is a three-way partnership between the employer, the employee, and the beneficiary.
Marketplace Disclosure	(13) Stakeholder engagement dialogue	Company engaged with its stakeholders in dialogue to find out what social and environmental issues matter most to them.
	(14) Types of stakeholders engagement	The types of stakeholders the company engaged with.
	(15) Customer satisfaction survey	Company conducted customer satisfaction survey. This is an indicator of how products and services supplied by a company meet or surpass customer expectation.

Workplace Disclosure	(16) OHSAS 18001 certificate or H&S standards	Company has OHSAS 18001 certificate or if it provides detailed information about the H&S standards that it adopted.
	(17) Health education	Company provided health education programs or training.
	(18) Learning programs	Company adopted learning programs.
	(19) Child care for employees	Company is taking care of employee's children or providing any kind of support for them.
	(20) Others (Miscellaneous)	Any worthwhile CSR disclosure, not captured above, regardless of whether it is related to environment, community, marketplace, or workplace, such as entrepreneur training for NGOs, supporting farmers for Umrah (mini Hajj pilgrimage to the holy city Makkah), and replanting trees.
CG quality	(21) Corporate governance	Company is in the Top 100 Malaysian Corporate Governance Index.